
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Taxpayers Trust Fund Tax Credit

The Taxpayers Trust Fund Tax Credit is an individual income tax credit available to Iowa taxpayers when the Taxpayers Trust Fund holds a balance of \$30.0 million or more. When this State financial condition is met, the credit is available to all Iowa taxpayers with positive individual income tax liability that tax year. For tax returns filed by married couples, each taxpayer is eligible for the tax credit.

The maximum credit amount available to taxpayers for a tax year is calculated by the Department of Revenue (DOR). When the \$30.0 million threshold condition is met, the DOR calculates the maximum tax credit available for the tax year by dividing the funds available by the number of taxpayers filing individual income tax returns for the previous tax year. For this calculation, taxpayers without income tax liability are included in the count, and tax returns filed by married couples are counted as two taxpayers.

For tax year 2013 returns, the maximum tax credit was \$54, and for tax year 2014, the maximum tax credit was \$15. For tax year 2015 through 2017 returns, the \$30.0 million balance threshold was not met, so no Taxpayers Trust Fund Tax Credit was available.

The tax credit reduces State General Fund revenue by reducing the income tax liability of taxpayers. Per Iowa Code requirements, the State General Fund is reimbursed for the revenue reduction through a transfer from the Taxpayers Trust Fund equal to the cumulative total of all the tax credits allowed taxpayers that fiscal year.

The Taxpayers Trust Fund is funded through transfers to that Fund from the State General Fund when certain financial conditions are met at the conclusion of a fiscal year. In any fiscal year when the actual net revenue deposited to the State General Fund for that year exceeds the adjusted revenue estimate for that same fiscal year, any General Fund ending balance for the fiscal year, up to a maximum of \$60.0 million, is transferred to the Taxpayers Trust Fund. For fiscal years when there is no General Fund excess, or years when actual revenue is below budgeted revenue, no transfer from the State General Fund to the Taxpayers Trust Fund occurs.

The required transfer conditions were met at the conclusion of fiscal years 2013 and 2014. For each of those years, the full \$60.0 million was transferred from the State General Fund ending balance to the Taxpayers Trust Fund. The conditions were not met at the end of FY 2015 through FY 2017, so no funds were transferred.

The total amount of tax credits available in a year is limited by the funds available in the Taxpayers Trust Fund. Oversight is a function of Department of Revenue tax return auditing. The tax credit is not refundable or transferrable. If, after application of all other refundable and nonrefundable tax credits, a taxpayer's Iowa income tax liability is zero or negative, that taxpayer cannot benefit from the Taxpayers Trust Fund Tax Credit that tax year.

More Information

Department of Revenue Tax Credit Review – TY 2013:

tax.iowa.gov/sites/files/idr/iowa%20Taxpayers%20Trust%20Fund%20Tax%20Credit%20Report%20TY2013.pdf

Department of Revenue Tax Credits Users'

Manual: tax.iowa.gov/sites/files/idr/Tax%20Credits%20Users%20Manual%202017%20%281%29.pdf

Legislative Services Agency Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

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Tax Credit Background

- Enabling Legislation: [2013 Iowa Acts, chapter 123](#) (Property Tax Reform and Income Tax Credit Act of 2013)
- Code Citation: [Iowa Code section 422.11E](#)
- Administrative State Agency: None
- Sunset Date: None
- Transferable: No
- Refundable: No
- Carryforward: None
- Tax Review Committee Review Year: Review of this credit is not a duty of the Committee. However, the Department of Revenue completed a [review](#) for the initial year of the tax credit.

Tax Credit Review, Usage, and Future Liability

The Department of Revenue reports on the annual credit usage for most Iowa tax credits in its periodic [Contingent Liabilities Report](#). However, the Taxpayers Trust Fund Tax Credit is not included in that report. The statistics presented in this **Fiscal Topic** come from a DOR tax year 2013 report that is specific to this credit, supplemental information gathered from the Department covering tax year 2014, and from the State accounting system.

For tax years 2013 and 2014 respectively, 74.8% and 74.6% of filed Iowa income tax returns benefited from the Taxpayers Trust Fund Tax Credit. Computed on an individual income taxpayer basis, approximately 90.0% of the benefit of the tax credit was received by resident taxpayers. Across the two tax years, the total taxpayer benefit equaled \$113.5 million. Summary statistics for the two tax years are provided in **Table 1**.

Taxpayers Trust Fund (TTF) Tax Credit Claims		
	Table 1	
	<u>Tax Year 2013</u>	<u>Tax Year 2014</u>
Number of Returns with TTF Claims	1,157,700	1,176,785
Number of Tax Returns Filed	1,548,526	1,576,958
% of Returns with TTF Claims	74.8%	74.6%
Total Claims (\$)	\$ 88,266,105	\$ 25,193,991
<u>Taxpayers Benefitting from the Credit:</u>		
Individual Taxpayers, Residents	1,572,877	1,584,914
Individual Taxpayers, Nonresidents	171,233	182,358
Total Individual Taxpayers	1,744,110	1,767,272
Average Claim Per Eligible Taxpayer	\$ 50.61	\$ 14.26
Maximum Credit Per Taxpayer	\$ 54.00	\$ 15.00

Table 2 and the following chart illustrate the amount of money transferred to the State General Fund from the Taxpayers Trust Fund to reimburse the General Fund for the negative impact associated with the claimed Taxpayers Trust Fund Tax Credits. Note that **Table 2** shows that the total transferred during FY 2014 and FY 2015 is \$112.2 million, approximately \$1.3 million less than the total credits claimed for tax years 2013 and 2014 (**Table 1**). The Department of Revenue indicates that by the time the final accounting of Tax Year (TY) 2014 tax credit claims was

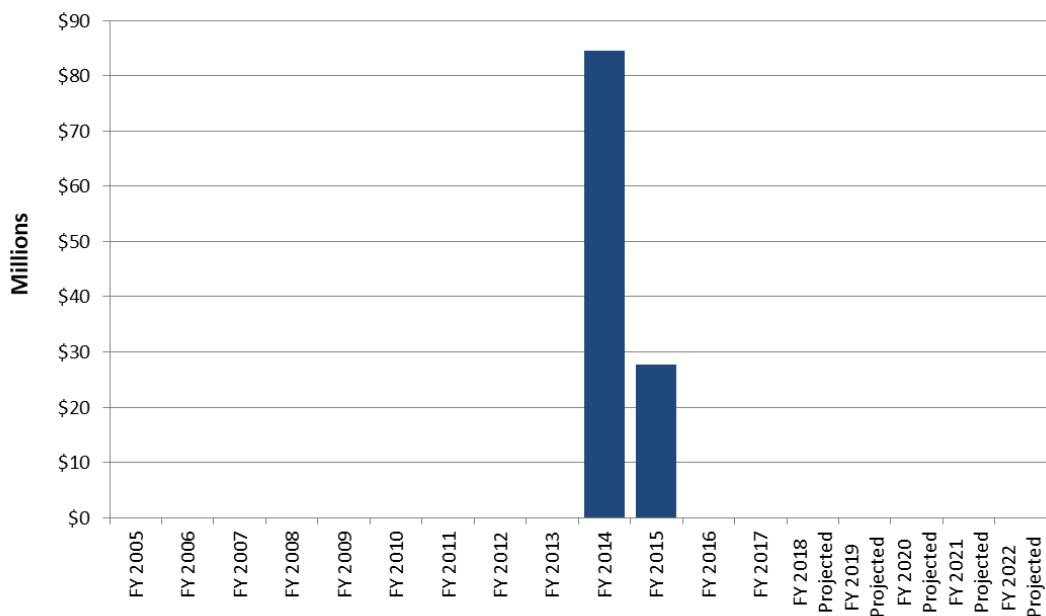
completed, the appropriation from the Taxpayers Trust Fund was no longer available, and therefore the remaining \$1.3 million in tax credits negatively impacted the State General Fund instead of the Taxpayers Trust Fund. Also note that while the following table and chart do not include projected tax credit amounts for future fiscal years, tax credits will be available if and when the Taxpayers Trust Fund balance reaches \$30.0 million.

Taxpayers Trust Fund Tax Credit

Table 2

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2005	\$ 0	FY 2014	\$ 84,556,674
FY 2006	0	FY 2015	27,663,488
FY 2007	0	FY 2016	0
FY 2008	0	FY 2017	0
FY 2009	0	FY 2018 Projected	0
FY 2010	0	FY 2019 Projected	0
FY 2011	0	FY 2020 Projected	0
FY 2012	0	FY 2020 Projected	0
FY 2013	0	FY 2020 Projected	0

Taxpayers Trust Fund Tax Credit Redemptions



Future Availability of the Tax Credit

The Taxpayers Trust Fund has a current balance (November 7, 2017) of \$8.3 million, and that balance earns approximately \$6,000 a month in interest. For the tax credit to be available for an upcoming tax year, the balance in the Fund must reach at least \$30.0 million. For additional money to be added to the Taxpayers Trust Fund, a fiscal year must end with a positive ending balance, and actual State General Fund revenue for that year must exceed budgeted revenue for that same fiscal year.